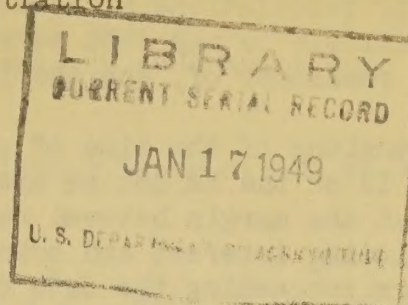


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U.S. Rural Electrification Administration

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UNITED STATES DEPARTMENT OF AGRICULTURE  
✓ Rural Electrification Administration  
Washington 25, D. C.



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✓ Administrative Bulletin

SUBJECT: Extension of Time of Payment of Interest or Principal Pursuant to Section 12 of the RE Act, as Amended

1. Section 12 of the Rural Electrification Act, as amended, provides:

"SEC.12. The Administrator is authorized and empowered to extend the time of payment of interest or principal of any loans made by the Administrator pursuant to this Act; Provided, however, That with respect to any loan made under Section 4, the payment of interest or principal shall not be extended more than five years after such payment shall have become due, and with respect to any loan made under Section 5, the payment of principal or interest shall not be extended more than two years after such payment shall have become due: And provided further, That the provisions of this section shall not apply to any obligations or the security therefor which may be held by the Reconstruction Finance Corporation under the provisions of Section 3."

2. In the execution of this Section of the Act, it is the policy of the Rural Electrification Administration to extend the time of payment of interest or principal only on the basis of a finding that such extension is necessary in order to enable a borrower to conduct its affairs in an efficient manner, render adequate service, and meet its total obligations to the Government within the time agreed. Accordingly, considerations shall be given only to requests for such extensions under the following circumstances:

- a. A borrower, because of delays in construction or other circumstances beyond its control, has been unable to achieve the revenues contemplated at the time the loan was made, or
- b. A borrower has incurred extraordinary losses, as through severe storms, floods, or fire, and an extension of the time of payment of interest or principal is necessary in order to permit the borrower to reestablish its operations on a stable basis.

3. The time of payment of interest or principal may be extended under the circumstances set forth in Paragraph 2 above only where there is a finding that the borrower will be able thereby to meet its total obliga-



tions to the Government within the time agreed. Such finding shall be supported by calculations of estimated revenues, cash operating expenditures, amounts available to pay debt service, and debt service, for each fifth year during the remainder of, and the last year of, the loan period.

4. No extensions of the time of payment of interest or principal, pursuant to section 12 of the RE Act as amended, shall be made unless there is a finding that the margin between revenues and prudent cash operating expenditures (excluding interest and principal payments due) for each of the two fiscal years succeeding the date of the request for extension will be insufficient to meet the scheduled payments of interest and principal.

5. No extension of the time of payment of interest or principal, pursuant to Section 12 of the RE Act as amended, shall be made unless the borrower has received or has applied for the benefits of the so-called Pace Act (Title V of Department of Agriculture Organic Act of 1944), where applicable, except to the extent that the borrower is prevented by the State law from obtaining such benefits.

6. Relief through the deferment of payments of principal and interest granted in accordance with the conditions outlined above shall be based on a finding that the Government's security will not be adversely affected and shall be effected by the extension of payments on any note, or notes, as follows:

- a. Generally, deferments will be granted for a period of 2, 3, 4, or 5 years on payments of interest or principal required after the date of the document effecting the extension.
- b. In addition to the deferments provided in paragraph a. above, deferment of payments then in default for not more than 5 years after date of the default shall be made only on a showing that the present organization and management of the borrower gives assurance of continued prudent management, considering the fact that the creation of a feeling of security in the borrower may thereby cause it to exercise an even higher degree of managerial ability.

7. In the case of any deferment, the balance of the principal and all interest, including the additional interest which will accrue as a result of the deferment, but not including interest on interest, will be repaid in equal quarterly installments until final maturity.

8. The final maturity will be that provided in the original note, or, in the note extended by the Pact Act.



9. All requests for action under Section 12 heretofore recommended, but not finally acted on, have been suspended and will be acted on only after approval of supplemental recommendations made in accordance with the provisions of this Bulletin.
10. This Bulletin supersedes all other existing instructions in conflict with the provisions of this Bulletin.

*Claude R. Wickard*

Administrator

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